

National Freight Transportation Policy Statement

I. Introduction:

This statement of guiding principles for the Nation's freight transportation system sets forth a DOT policy framework that will help shape important decisions affecting freight transportation across all modes. Our interest is to ensure the nation has a safe, reliable, and efficient freight transportation system that supports economic growth and international competitiveness both now and in the future, while protecting and contributing to a healthy and secure environment. The goal of this statement is to provide guidance for making the Nation's transportation system serve its citizens better. To achieve this goal, new partnerships must be formed among public agencies, the freight transportation industries and shippers.

Highways, airports, rail facilities, ports, pipelines, waterways, intermodal transportation, and the freight carriers and shippers they serve all play a vital role in the Nation's economic health. The integrated nature of the Nation's transportation facilities and operations is an important feature that must be accounted for in the establishment of principles and actions that are directed at improving freight transportation. An efficient transportation system results in lower production and logistics costs for U.S. firms and better prices for consumers. In order to compete successfully in international markets U.S. firms must be able to rely on an efficient domestic freight transportation system that is effectively managed. The system also must support achievement of other national goals by fostering safe, effective, timely and environmentally sound freight transportation that improves the quality of life for all U.S. citizens.

Effective freight transportation policy and planning must consider that much of our transportation infrastructure is provided by the different levels of government and that major portions are put in place by private capital. The policy must allow for variations in State, regional and local conditions, requirements and resources. Further, the fusion of public and private investment creates economic opportunities but also may raise regulatory conflicts, and both must be considered in national freight policy and planning.

II. Recent Trends in Freight Movements:

Freight moves on systems of increasingly integrated supply chains and distribution networks operating in States and metropolitan areas, as well as regionally, nationally, and internationally. Reliance on just-in-time production and current inventory management practices have increased the demand for more efficient and reliable freight transportation. Shippers are increasingly rationalizing the mix of transportation, inventory, handling, and loss and damage costs, striving to reduce their total logistics costs. They are using increasingly fast, reliable transportation in place of large inventories.

The productivity of freight transportation firms and their ability to provide timely and reliable service depends not only on the efficiency of individual modal systems and the effectiveness of the laws and regulations under which they operate, but also on the efficiency of intermodal facilities that govern the effectiveness of their connections to one another. U.S. intermodal freight transportation links the various modes to meet customers' market needs by providing integrated origin-to-destination service. It utilizes advanced technologies and operating systems designed to enhance productivity, reduce transportation costs, increase service speed and quality for shippers and lower prices for consumers.

International freight movement takes advantage of the latest innovations in the global marketplace that reduce cost and better serve the customer. Customers are establishing global supply chains. Innovations that are developed by individual carriers are copied by others when results in savings or service are seen. The use of real-time, interactive electronic data interchange, and vessel/asset sharing agreements all provide more efficient and rapid transportation of international freight movements.

Contractual regimes governing the movement of freight have been established by the private sector which sometime result in conflicts with public regulations and create impediments to the safe and efficient operation of freight transportation. Government typically regulates the safety, and environmental aspects of infrastructure and equipment. It also may be appropriate for Government to facilitate problem solving and provide technical assistance where private and

public sector requirements create barriers to safe and efficient freight movement. Economic consequences are increasingly a matter of market decisions by the private sector.

III. Principles of Federal Freight Transportation Policy:

The following eight principles provide the basis for a Federal freight transportation policy and describe the Federal role in freight transportation:

- 1. Provide funding and a planning framework that establishes priorities for allocation of Federal resources to cost-effective infrastructure investments that support broad national goals.**
- 2. Promote economic growth by removing unwise or unnecessary regulation and through the efficient pricing of publicly financed transportation infrastructure.**
- 3. Ensure a safe transportation system.**
- 4. Protect the environment and conserve energy.**
- 5. Use advances in transportation technology to promote transportation efficiency, safety and speed.**

6. Effectively meet our defense and emergency transportation requirements.

7. Facilitate international trade and commerce.

8. Promote effective and equitable joint utilization of transportation infrastructure for freight and passenger service.

1. Provide funding and a planning framework that establishes priorities for allocation of Federal resources to cost-effective infrastructure investments that support broad national goals.

Enactment of ISTEA, with its requirement for greater emphasis on intermodal and freight policy issues, marked a new era in transportation investment decision-making. The transportation planning process has become increasingly important. Metropolitan and State officials are now encouraged to include major freight distribution issues in their planning processes. They are also urged to work with carriers and industry to find ways for improving the efficiency of freight movements while protecting the environment. Thus, the transportation planning procedures adopted in ISTEA are aimed at an improved approach to developing freight transportation policy at all levels of government.

While much of the surface transportation infrastructure is provided by the private sector (e.g., rail freight facilities, waterside and truck terminals, oil and gas pipelines), much of the infrastructure would not be built or maintained without public financial support that is affected by Federal policies. Private facilities are often dependent on public investment for their effectiveness, (e.g., waterside terminals that require public channels, etc.). Federal participation may be appropriate when infrastructure investment projects have a national or regional significance or when Federal involvement may facilitate the resolution of a freight transportation problem. The value of a particular transportation facility is often dependent on the existence and effectiveness of a regional or national network that is a Federal concern and responsibility.

In cooperation with DOT and other Federal agencies, the Office of Management and Budget (OMB) has established guidelines for the economic analysis of Federal infrastructure investments.(1) The guidelines apply rigorous cost-benefit standards to all proposed investments, including a provision that requires the measurement of costs and benefits over a project's life- cycle. The OMB guidelines also encourage, when appropriate, private sector participation in infrastructure projects and more cost-effective State and local infrastructure investment programs.

2. Promote economic growth by removing unwise or unnecessary regulation and through the efficient pricing of publicly financed transportation infrastructure.

Although freight transportation services are provided almost exclusively by the private sector, the Federal Government plays an essential role in maintaining competition in the transportation marketplace and in protecting the public from unsafe and environmentally damaging transportation operations. By promoting competition, Federal policies can help to foster an environment that encourages improvements and changes that reduce transportation and logistics costs. National objectives for the freight transportation system can be addressed through Federal activities such as the deregulation of entry and ratemaking in the trucking and air cargo industries, in order to foster an effective, competitive freight transportation environment.

As the logistical requirements of businesses become more complex, some shippers and transportation providers will rely increasingly on intermodal services. Such services should not be hindered by artificial constraints. Physical and institutional barriers that impede the flow of freight from one mode of transportation to another should be eliminated. The elimination of physical and operational barriers to freight intermodal operations is primarily the responsibility of transportation carriers, shippers, and State and local government. The Federal Government, however, may take action to improve inadequate public infrastructure to support essential freight intermodal operations or to reduce legal and regulatory barriers such as those that until 1996 impeded railroad ownership of barge and trucking companies. The Federal Government may also encourage State and local governments to take necessary action, or in extreme cases even preempt them, in order to reduce statutory impediments to intermodal transportation.

The prices charged for public sector transportation facilities and services determine whether they are used efficiently. Public facilities costs that are not included in the transportation rates paid by shippers may lead to inefficient use of the Nation's limited transportation resources. Whenever feasible, fees and taxes adequate to cover the cost of building, operating, and maintaining public infrastructure facilities should be recovered from the parties that use and benefit from them. However, fees that exceed the cost of providing freight services will adversely affect the efficiency and effectiveness of the transportation system and should be avoided.

Federal actions must be evaluated not only for their short-term impacts but for their longer-term consequences for maintaining viable, competitive, multimodal freight transportation to serve the Nation. Therefore, freight regulatory and investment policies must take into account the linkages between freight transportation performance and economic performance at the local, regional, national, and international levels both today and in the future. The DOT has completed a comprehensive assessment of its regulations as part of the National Performance Review. It will reexamine its policies, programs, and regulations periodically to assess their effectiveness and whether they should be continued.

3. Ensure a safe transportation system.

Making the transportation system safer is a critical Federal policy objective. Because the marketplace alone may not be effective in producing an acceptable level of public safety,

the Federal Government will continue to promote transportation safety through regulation; through enforcement, engineering and education; and through support of voluntary compliance efforts by industry. Success in maintaining and improving the safety of our freight transportation networks requires the cooperation of each level of government and the private sector.

The Federal Government will continue to support safety research and the dissemination of information related to safety. The DOT will continue to support activities to improve the information base needed to monitor the safety performance of all freight transportation modes including the full social costs of accidents. Federal research will focus on the causes of transportation accidents: the role of truck, rail, aircraft, and vessel design and performance in accidents and their solutions, as well as the contribution of human factors and infrastructure design. The Federal Government will also continue to work with the private sector on a cooperative basis, to ensure that proven safety advances are rapidly incorporated into practice, especially when substantial public benefits will result from their adoption.

4. Protect the environment and conserve energy.

Responsible environmental protection is another important Federal policy objective and, like transportation safety, environmental protection requires the cooperation of all levels of government and the private sector. The total social costs of environmental degradation are not borne by the transportation users (e.g., the social costs associated with pollution are not reflected in the costs incurred by the users or prices charged for transportation services). Thus, the Federal Government plays, and must continue to play, an important role in reducing these social costs and ensuring that they are more accurately reflected in the price of transportation services through appropriate regulation or modifications to existing programs. In addition, the Federal Government will continue to support research and technology development that is directed at increasing transportation productivity while maintaining environmental protection.

In pursuing its environmental protection objective, the Federal Government needs to continue to assess the impacts of environmental regulation on the performance of transportation operations and will work with the private sector and the environmental community to implement appropriate environmental protection measures and technologies in a cost effective and environmentally sound manner. The Federal Government will seek to develop regulations that contain performance based rather than technology specific standards or criteria so as to permit industry flexibility and innovation in meeting regulatory requirements. DOT will continue working to promote and develop techniques for conserving energy and for better quantifying the social costs of environmental and community degradation.

5. Use advances in transportation technology to promote transportation efficiency, safety and speed.

Application of advanced technology in the transportation system offers significant opportunities to improve its safety, efficiency, capacity, and productivity.

Private firms invest in advanced communication, navigation, surveillance, and information technologies which improve the efficiency of their operations. These advanced technologies facilitate the movement and tracking of goods and vehicles as well as the exchange of information among carriers and their customers in the intermodal transportation system. They also offer tools for strengthening intermodal connections. Public and private investments for applying these advanced technologies to the air, highway, marine, and rail infrastructures have improved the overall efficiency of the transportation system.

DOT's Federal role in research and development of technologies is to promote the efficiency and safety of the national transportation system and to support the application of technologies in the movement of freight. Specifically, DOT provides leadership for the interagency coordination of Federal transportation research. This includes maintaining close dialogue with the private sector and State and local governments to ensure that DOT research funding reflects the priorities of freight transportation users and providers. DOT will coordinate Federally funded research to ensure that there is no redundancy. DOT will maintain a leadership role in development of an intermodal research framework.

Advances in information technology are having a dramatic effect on transportation requirements and the planning of future capacity investments. DOT works with the private sector to facilitate communications across modes for intermodal compatibility of technology applications, such as Global Positioning Systems (GPS) and Geographic Information Systems (GIS). DOT coordinates with other Federal agencies, such as the Department of Defense and the National Oceanic and Atmospheric Administration, to ensure that underlying data (such as weather and positioning information) required as input to these various systems continue to be available.

DOT will continue to work closely with the freight industry to ensure that the United States is well represented in international transportation technology and standards forums.

6. Effectively meet defense and emergency transportation requirements.

Recent changes in our Nation's defense strategy and the downsizing of the U.S. military establishment have increased the need for effective deployment of those forces in times of a national emergency. They have emphasized the need for rapid deployment of large numbers of people and large amounts of material on short notice. Similarly, when natural disaster strikes, a high-quality, multimodal transportation system is critical to ensuring the safety of the affected population and the ability of local, State and Federal officials to start rebuilding devastated communities. Deploying personnel, equipment, and supplies through the air, over land or on the seas, requires well-planned, maintained, and sufficient

alternative transportation systems and facilities for both the military mission and disaster relief operations.

The Department of Defense has adopted policies that will require greater use of civilian transportation resources in meeting its transportation needs. The Nation's freight transportation operators, therefore, have an essential role to play in the mobilization and deployment of personnel, equipment, and supplies in the event of a national emergency or a natural disaster. The DOT will continue to work with the Department of Defense, other Federal agencies, and the transportation community to identify short- and long-term national defense and emergency transportation requirements and to ensure that the transportation system can meet those requirements.

7. Facilitate international trade and commerce.

To retain and enhance the Nation's competitive position and its economic vitality, domestic firms must have access to foreign markets through an efficient transportation system. A competitive international transportation industry requires highly efficient connections to and within the domestic transportation system. Where international trade agreements are being negotiated, as in the case of the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO), regulatory policy decisions that primarily affect international freight movements will also take into account their implications for domestic freight operations and competition as well as the interests of States and localities affected by such policy decisions. Government can provide new opportunities for American exporters by leading trade negotiations with the European Union, with other industrialized countries, and with emerging markets, such as those in Asia and Latin America, and by providing technical assistance programs to promote American transportation and infrastructure technologies.

8. Promote effective and equitable joint utilization of transportation infrastructure for freight and passenger service.

The efficient use of the Nation's transportation infrastructure may require the joint use of facilities by freight and passenger transport operators. When appropriate, the Federal Government, in conjunction with State and local agencies and the private sector, will support the equitable sharing of transportation facilities and infrastructure and reasonable compensation for their use.

Potential safety problems and reduced freight transportation operations efficiency may arise from the sharing of facilities. These concerns should be taken into account in policy initiatives that address the joint use of facilities. The DOT will continue to support research in this area and will encourage transportation firms to adopt new technologies and operating practices that would reduce the adverse consequences that may arise from the joint use of facilities.

Addendum:

The following is a list of near term DOT initiatives that may have significant implications for freight transportation. They are representative of a much larger number of activities underway or anticipated by the DOT that will improve the safety, efficiency, reliability and environmental performance of the freight systems consistent with the guiding principles presented in this policy statement. Included are development, operating, research and regulatory activities that affect individual as well as intermodal freight systems, and the cooperation of public and private entities.

ISTEA Reauthorization: The Intermodal Surface Transportation Efficiency Act of 1991 expires at the end of fiscal year 1997, and the DOT has completed its outreach and analysis effort and is in the process of developing the Administration's proposal for reauthorization. The central elements of ISTEA -- strategic infrastructure investments, intermodalism, flexibility, intergovernmental partnerships, a strong commitment to safety, and enhanced planning -- have been well received and successful and should be preserved. The goal for reauthorization is to develop a proposal for the next century that allows our Nation to preserve our competitive advantage throughout the world and maintain the well being of our citizens. There are a number of freight transportation issues that are being considered, including:

Increased Funding Flexibility: Alternatives are under study for increasing the flexibility for use of Federal funds for projects that improve the connectivity of freight transportation systems and for the development or improvement of freight terminals that serve more than a single mode of transportation.

Truck Size and Weight Regulation: The DOT is currently conducting a comprehensive analysis of the effects of changing current truck size and weight regulations on safety, transportation costs, modal competition, and environmental and energy impacts. The results of this effort, which should be completed in early 1997, will be reported to the Congress and used in the evaluation of any proposed changes to current truck size and weight regulations. The range of alternatives being studied include maintaining the status quo, increasing individual State regulatory authority over truck size and weight limits, and increasing Federal responsibility in establishing greater national uniformity.

Highway Cost Allocation Study: The Department is conducting an analysis of the responsibility of highway user groups for both the direct and external costs of the highway program as well as alternative methods for collecting revenues from users. This study, which should be completed in early 1997, will provide an analytic capability to evaluate alternative highway user tax and other revenue collection options that may arise in ISTEA reauthorization, including the cost responsibility of the heavy combination vehicles.

National Highway System (NHS): Programs that provide national connectivity, increase the capacity of the system and improve the flow of traffic, such as the National Highway System and its intermodal connectors, will be continued. The NHS, approximately 160,000 miles of major roads, represents only 4 percent of the total mileage but carries 75

percent of heavy truck traffic. All major rail-truck intermodal facilities will be connected to the NHS.

Border Crossings: We are concerned about the special trade-related transportation needs of certain areas of the country, particularly along the Mexican and Canadian borders and the North-South corridors that serve them, that will facilitate trade resulting from NAFTA. Programs will be considered that are designed to improve the flow of trade and traffic across the borders.

Intelligent Transportation Systems (ITS) : Consideration is being given to investments in ITS technologies that hold the promise of increasing the carrying capacity and efficiency of our current infrastructure. ITS is expected to increase the capacity of our transportation system at a fraction of the cost of traditional infrastructure building. ITS also is expected to provide substantial safety and environmental benefits. One major element of this program -- particularly focused on freight transportation -- is the Commercial Vehicles Information System and Networks (CVISN) which will develop standards and protocols to allow freight carriers to electronically exchange information required by regulatory authorities using commercially available communications infrastructure. The goal of the CVISN is to provide greater compatibility of the information systems owned and operated by state/local governments, carriers, and other stakeholders.

Rail-Highway Grade Crossings: The current program under ISTEA will be considered for continuation as part of the reauthorization effort. The program provides funds for rail-highway grade crossing improvements and for the conduct of studies and dissemination of information on better grade crossing designs and construction safety measures that will, in part, improve the safety performance of the freight transportation system .

Implementation of the NAFTA Agreement: We will continue working with our Canadian and Mexican partners to improve the safety, efficiency, and productivity of freight transportation among the three nations while protecting U.S. safety standards, including the improvement of enforcement of cross-border truck safety requirements.

Deploy Global Positioning System for Transportation Purposes: The DOT is the designated lead agency for all Federal civil GPS matters and will coordinate the development and implementation of Federal augmentation measures to the basic GPS for civil transportation applications. We will coordinate activities to minimize cost and duplication. The DOT will work to augment GPS to: improve aviation navigation during adverse weather conditions and increase airways capacity and efficiency; facilitate railroads' ability to implement positive train control systems increasing safety and capacity; be a component of the Intelligent Transportation System (ITS) reducing congestion and improving railroad grade crossing safety; improve harbor approach and intra-harbor safety nationwide and track movement of tankers through Prince William Sound; improve safety and efficiency of ships moving through the St. Lawrence Seaway and Panama Canal; and more rapidly locate and respond to motor vehicle accidents, hazardous materials spills and vessels in distress.

Pipeline Risk-based Programs: The DOT will continue the examination of gas and hazardous liquid pipeline regulations to incorporate up-to-date technology and to more fully incorporate risk-based factors in the prioritization and selection of safety requirements.

Conclude Additional International Aviation Agreements: We will continue efforts to reach new agreements with other nations that open new and improved opportunities for U.S. airlines in international passenger and air cargo markets, and strengthen and expand the competitive international aviation marketplace.

Shipyard Revitalization Initiative: Assist efforts within the shipbuilding and repair industry to compete internationally by helping firms convert from defense to civilian markets. This includes ensuring fair international competition, improving competitiveness through technology transfer and applied research, eliminating unnecessary regulations, financing ship sales for both export and U.S. flag operations, and assisting in international marketing.

National Dredging Policy: We are implementing the report of the Interagency Working Group on the Dredging Process, by working with Federal and State agencies to resolve impediments to dredging projects that are necessary to maintain shipping channels in the major U.S. ports.

Voluntary Intermodal Sealift Agreement: We will continue development of this program in partnership with U.S. flag carriers and the Department of Defense to achieve agreement from carriers to commit intermodal sealift capacity in time of war or national emergency and to maximize DOD's use of the U.S. maritime industry's intermodal capacity.

(1) Executive Order 12893, "Principles for Federal Infrastructure Investments," Federal Register, Volume 59, No. 20, January 31, 1994.